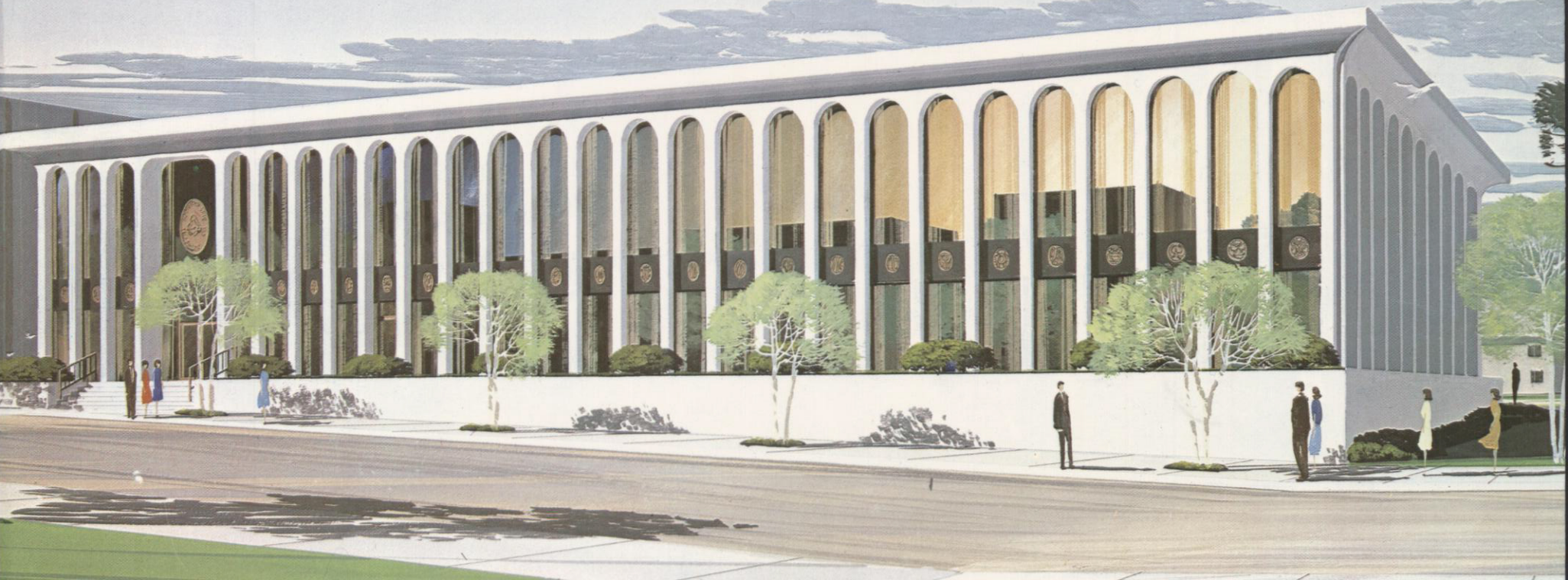


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annual report 1965

northern ohio telephone company

comparative highlights of the year's operations

	1965	1964	Percent Increase Over 1964
Telephones in Service	149,350	140,324	6.4 %
Toll Calls Completed	13,384,180	11,913,888	12.2 %
Gross Telephone Plant	57,582,752	53,793,858	7.0 %
Operating Revenues	\$16,584,843	\$15,016,876	10.4 %
Operating Expenses	9,267,090	8,676,565	6.8 %
Income before Taxes	6,566,991	5,654,957	16.1 %
Net Income Available to Common Stock	2,949,104	2,459,537	19.9 %
Earnings per Share			
Common Stock	1.40	1.18*	18.6 %
Dividends Paid per Share Common Stock	.581	.533*	9.0 %
Book Value per share Common Stock	9.01	8.48*	6.3 %
Number of Employees	913	893	2.2 %
Number of Common Shareholders	2,206	2,086	5.8 %

*Equated to reflect 3 to 1 stock split in 1965

about the Cover



Artist's conception of our new and enlarged General Office building at Bellevue. Construction is expected to start soon, with tentative completion in 1967.

Northern Ohio Telephone Company

Directors

ALLAN G. AIGLER*
*Aigler and Aigler, Attorneys
Bellevue, Ohio*

JOHN A. AIGLER
*General Commercial Superintendent of
the Company, Bellevue, Ohio*

THOMAS A. BOYD
*Retired, Former Vice President-
Finance, General Telephone &
Electronics, Inc., Bronxville, New York*

CHARLES H. CAMPBELL
*The Equitable Life Assurance Society,
Ashland, Ohio*

ROBERT T. CAMPBELL
*The North Electric Manufacturing Co.,
Galion, Ohio*

HERBERT A. ERF*
*The H. A. Erf Acoustical Company,
Shaker Heights, Ohio*

FRANK C. HENRY*
*Partner, Bosworth, Sessions, Herrstrom
and Knowles, Patent Attorneys
Cleveland, Ohio*

WILLIAM C. HENRY*
*President
Norwalk, Ohio*

HERMANN H. THORNTON
Educator, Oberlin, Ohio

FRED W. UHLMAN JR.
*McDonald & Co.
Bowling Green, Ohio*

JOHN E. WISE*
*President, The Citizens National Bank
of Norwalk, Norwalk, Ohio*

*Member Executive Committee

Officers

ALLAN G. AIGLER
Chairman of the Board

WILLIAM C. HENRY
President

ALLEN W. HUGHES
Operating Vice President

JOHN E. WISE
Vice President

WILLIAM H. TODD
Secretary and Treasurer

JOHN A. AIGLER
*Assistant Secretary and Assistant
Treasurer*

Transfer Agents and Registrars

*Preferred Stock—Office of the Company
Common Stock—Central National Bank
of Cleveland, Cleveland, Ohio*

General Counsel

Aigler and Aigler, Bellevue, Ohio

Special Counsel

*Squire, Sanders and Dempsey,
Cleveland, Ohio
Power, Griffith, Jones and Bell,
Columbus, Ohio*

Independent Auditors

Ernst & Ernst, Cleveland, Ohio

Annual Report

1965

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Areas of Operations Map	Inside Back Cover

ANNUAL MEETING

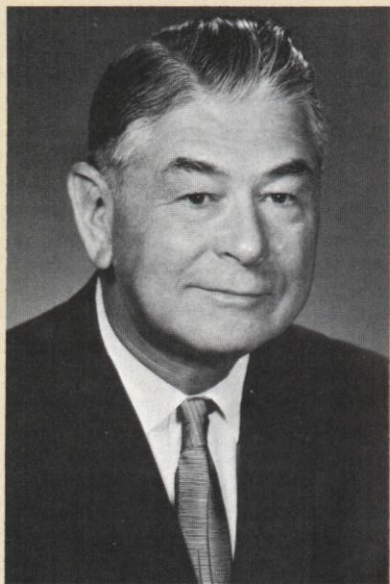
The Annual Meeting of Stockholders will be held at 2:00 P.M., Tuesday, May 17, 1966 in the Community Room, Columbia Gas of Ohio Building, 10 West Main Street, Norwalk, Ohio. Formal notices will be mailed to all owners of common stock on Friday, April 29, 1966 and proxies will be requested.

five year statistical summary

	1965	1964	1963	1962	1961
Operating Revenues	\$16,584,843	\$15,016,876	\$14,304,862	\$13,270,945	\$12,148,446
Operating Expenses	9,267,090	8,676,565	8,319,649	7,735,820	7,002,540
Operating Income before Federal Income Taxes	7,317,753	6,340,311	5,985,213	5,535,125	5,145,906
Other Income	163,180	265,571	63,148	39,515	43,239
Fixed Charges—Interest and Other	913,942	950,925	728,952	676,091	592,205
Income before Federal Income Taxes	6,566,991	5,654,957	5,319,409	4,898,549	4,596,940
Provision for Federal Income Taxes	3,254,447	2,833,615	2,754,947	2,527,810	2,392,459
Net Income for the Year	3,312,544	2,821,342	2,564,462	2,370,739	2,204,481
Preferred Stock Dividends	\$ 363,440	\$ 361,805	\$ 360,011	\$ 358,029	\$ 345,416
Net Income Available for Common Stock	2,949,104	2,459,537	2,204,451	2,012,710	1,859,065
Common Stock Dividends	2,230,129	2,043,504	1,794,461	1,459,567	1,110,634
Retained Earnings	718,975	416,033	409,990	553,143	748,431
Net Income per Common Share	(a) \$1.40	\$3.54	\$3.17	\$2.89	\$2.67
Dividends per Common Share	(b) .581+1% Stk	1.60 + 2 % Stk	1.57 + 2 % Stk	1.54 + 1 % Stk	1.52 + 25 % Stk
Per Cent Earned on Average Capitalization	7.16 %	6.09 %	6.08 %	6.22 %	6.27 %
Times Preferred Dividend Requirements Earned	9.1	7.8	7.1	6.6	6.4
Cash Dividend Requirements Earned	1.9	2.1	2.0	1.9	1.8
Total Telephone Plant	\$57,582,752	\$53,793,858	\$50,396,954	\$46,987,901	\$44,455,718
Reserve for Depreciation	11,711,393	10,179,851	8,681,558	7,486,939	6,626,752
Net Telephone Plant	45,871,359	43,614,007	41,715,396	39,500,962	37,828,966
Capitalization:					
Funded Debt—First Mortgage Bonds	\$18,900,000	\$21,652,000	\$21,652,000	\$15,652,000	\$15,652,000
Preferred Stock	7,661,400	7,622,900	7,596,000	7,560,800	7,514,500
Common Stock and Surplus	18,983,590	17,699,853	16,452,017	15,391,122	14,503,042
Total Capitalization	45,544,990	46,974,753	45,700,017	38,603,922	37,669,542
Number of Common Shares Outstanding at Year-End	2,105,541	695,817	683,063	670,531	664,803
Number of Telephones at Year-End	149,350	140,324	135,440	129,852	125,214
Number of Common Stockholders at Year-End	2,206	2,086	2,054	2,048	2,017
Number of Employees at Year-End	913	893	879	903	883

(a) Reflects three for one stock split in 1965

(b) Reflects 1 % stock dividend and three for one stock split in 1965



**a
message
from
the
president**

to our Stockholders,

The year 1965 marks the end of the second decade following World War II. Throughout this entire period Northern Ohio Telephone Company has been a part of the tremendous improvement in service and the remarkable growth that has marked the Telephone Industry.

In 1965 our Company gained 9,026 telephones—one third more than in any previous year,—the volume, quality and convenience of our long distance service reached a new high. Extensions and improvements to plant and service to our subscribers resulted in our largest capital expenditure—almost five million dollars.

This was a year of continued industrial expansion and population increase in the area in which we serve. It was a year of technological progress in our Industry and the offering by this Company of new and improved services to our subscribers. Mobile telephone service was inaugurated at Medina; our first experimental school to home student telephone service was installed at Bellevue; time and temperature service and the latest types of telephone instruments flush with the wall were made available. The extension of data communications, key tone or push button dialing, and subscriber direct distance toll dialing increased in importance as parts of the total communications service we provide.

During the year our program of reducing the maximum number of parties on rural lines was completed. An increasing number of our subscribers were upgraded to individual line service, and enlarged local calling was made available where community of interest justified. Underground cable distribution in new allotments assumed new emphasis along with an improvement in operating methods. A program of pressurizing our principal cables with gas was gotten underway and our construction crews were provided trucks with hydraulic diggers and booms.

The impressive record of growth and service improvement during 1965 results from careful planning by competent, loyal and dedicated employees. It is the achievement of the men and women who

are the company. To them properly goes the credit and our appreciation for their efforts.

The outlook for 1966 appears promising. A gross construction program of \$5.2 million has been programed for further expansion, improvement and growth. Additions to automatic central office equipment and the reinforcement of our cable distribution system to provide for better grades of service will be further emphasized. Station-to-station subscriber toll dialing will be made available at two additional toll centers and person-to-person, credit card and paystation customer dialing will be operational at two toll center offices. We are prepared to provide coaxial cable distribution systems for rental to all community antenna television companies in our area and a subsidiary CATV operating company is programed to serve two of our exchanges.

Some of our shareholders may be concerned as to what effect the current investigation by the Federal Communication Commission, of Bell System earnings, may have upon our Company. It is our belief that earnings of the A.T.&T. Company will not be adversely affected to any great degree and that any decision some years hence will not materially reduce this company's revenues from the Industry's related services. We extend to our shareholders our thanks for their continued support and confidence.

The year 1966 offers new challenges and a new horizon. Our efforts to provide a modern, efficient and complete telephone service to fully meet the communications needs of our subscribers will continue to receive our most diligent attention.

Sincerely yours,

WILLIAM C. HENRY
President

financial review

REVENUES

We are pleased to report another record year. Total revenues for 1965 were \$16,584,843 an increase of \$1,567,967 or more than 10.4%. Exchange service revenue was up 6.0% or \$465,915.

Toll service revenue was up 13.8% or \$835,716. The principal factors contributing to this progressive growth were the increase in the number of telephones in service, increased use of toll service by our subscribers and expanded Direct Distance Dialing facilities.

There was an increase in private line service, up 39.7% or \$242,342. Contributing most to this increase was the addition to the FAA's Air Route Traffic Control Center at Oberlin thru the co-location of the Detroit ARTCC in July, 1964. The effect of the full annual amount of revenue was not realized until 1965.

Other income was \$163,180. This amount is less than the previous year due to using Treasury bills to retire \$2,752,000 of first mortgage bonds that matured August 1, 1965.

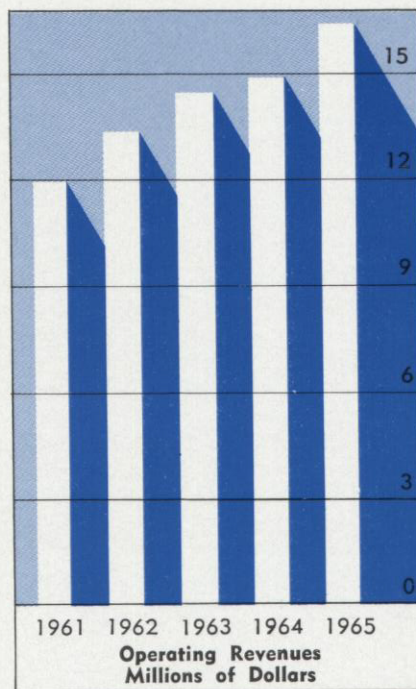
The deduction from revenues for uncollectable items for the year was \$48,000. This is about .3 percent of our total billings.

The average total revenue for each telephone in 1965 was \$114.51,

realized as follows: \$56.99 from local exchange service, \$47.43 from toll, and \$10.09 from all other sources. This was an increase of \$5.60 per telephone over the average revenue per telephone for 1964.

EXPENSES

Total operating expenses rose in 1965 to \$9,267,090, up \$590,525 or about 6.8%. Maintenance expense



increased to \$1,941,725, up \$297,539 or 18.1%. Most of this increase is attributed to an increased number of maintenance personnel and to increased hourly wage rates.

The volume of offered toll calls increased, and the cost of completing them at higher hourly wage rates was also more. In 1965, total traffic expense was \$1,760,785, up \$138,155.

Commercial expense was \$757,693, an increase of \$14,700, due to added local commercial administration connected with the handling of a greater number of subscribers accounts.

General Office expense increased \$27,834 to a total of \$465,244. Other operating expenses were \$306,446, or \$25,305 more.

DEPRECIATION

The allowance for depreciation set aside from operating revenue during the past year was \$2,291,654. The increase of \$149,551 over 1964 is due to an increase of almost three million dollars in the total amount of depreciable plant on which depreciation must be accrued. At the end of 1965, our accumulated reserve was \$11,711,393, which is 20.43% of our total plant value. Because of our accelerated





District Office Buildings

1. Oberlin
2. Medina
3. Port Clinton
4. Willard
5. Norwalk
6. Galion
7. Bowling Green

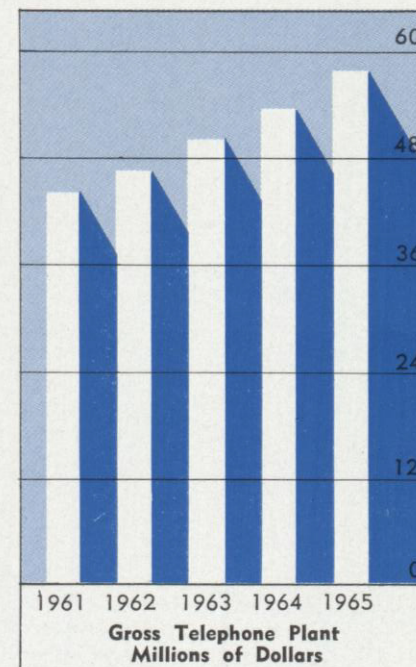
program in updating our telephone plant, more than 79% of our total telephone property has been placed in service within the past ten years.

TAXES

Our largest single item of expense is the composite of the numerous taxes paid by the company. Total operating taxes for 1965 were \$4,997,990. This was an increase of \$358,272 or 7.7% over 1964. New local government and school district levies increased our county property taxes to \$1,195,000. Corporate Federal Income Tax amounted to \$3,254,447 despite the reduction in the tax rate from 50% to 48%. Taxes for Old Age Benefits totalled \$129,048, Unemployment Insurance \$48,607, State Excise \$362,466, with Ohio Sales and PUCO taxes accounting for the balance. For each telephone in service our total tax bill for the year amounted to \$34.51 which is \$2.88 a month for each telephone.

Federal Excise Tax continued to plague the telephone industry with its discriminatory assessment during the past year. Not applying to any other utility service, it was originally enacted to restrict additional telephone service during World War II. In 1965 this tax amounted to \$1,528,866 or \$10.56 per telephone and is in addition to the other direct taxes paid by this company. Thanks to the urging of stockholders, subscribers and other

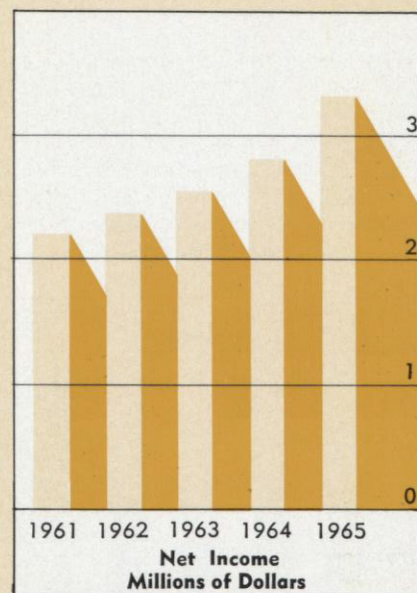
interested persons, this unfair tax was decreased from 10% to 3% as of December 31, 1965, but it is due for reconsideration by Congress this year. The Federal Administration has recommended the reimposition of the 10% Federal Excise Tax on telephone service and unless our Congressional representatives receive sufficient opposing views from the subscribers who pay this tax, the burden will be reimposed and could possibly become a permanent part of the cost of telephone service.



FINANCING

A common stock dividend of one percent declared out of net earnings for the year 1964, was issued May 7, 1965.

At the Annual Stockholders



Meeting, May 18, 1965, common shareholders voted to split each \$10 share into three shares with a par value of \$3.33 1/3 per share, in order to increase the total number of outstanding shares of common stock. The new shares of common stock were issued on June 3, 1965.

The company's first issue of 30 year mortgage bonds in the amount of \$2,752,000 matured and were paid off in cash on August 1, 1965.

NET INCOME

Net income available for fixed charges in 1965 was \$4,226,486, an increase of \$454,219. Fixed charges consisting of interest on funded debt, amortization of discount on funded debt, and other minor interest deductions were \$913,942. The decrease over the previous year was due to the retirement of an issue of the company's outstanding bonds.

Net income available for dividends and retained earnings rose to a new peak, totalling \$3,312,544, an increase of \$491,202. The past year's net earnings represent 5.78% on the total gross book plant value of the company's property and plant.

This is the 65th year in which this company and its predecessor has paid in full its regular quarterly dividends on its outstanding preferred stock. Dividends declared on its shares of common stock were \$.75 per share. Adjusted for the increase in number of shares this compares with \$.60 per share for 1964. Income available for retained earnings was \$718,975, which was \$302,942 more than for the previous twelve months.

Net additions to Plant were in the total amount of \$3,901,982. At year end the total investment in Telephone Plant was \$57,582,752 including \$252,475 in Telephone Plant under Construction. Gross additions to Plant for the year amounted to \$5,011,258 with re-

tirements of \$1,109,276. The principal net additions were \$1,278,916 for Central Office Telephone Equipment; \$535,010 for Subscribers Station Equipment; \$1,063,355 for Underground and Aerial Ca-

ble; \$128,664 for new buildings or additions to present buildings; \$381,255 for private branch exchange equipment; and \$253,879 for station connections.



District Office Buildings

1. Ashland
2. Wadsworth
3. Genoa
4. Delaware



*Our largest toll center,
Medina District Office.*



Mr. Fred Greenwood, Mayor of Medina, has the first mobile telephone installed by Northern Ohio Telephone Company.



Attendant's PABX Turrets at Hercules Manufacturing Company, Galion, are equipped with push buttons for internal calling.

1965 . . . a year of growth and progress

The net increase in the number of telephones installed during 1965 was 9,026. This is one third more than any previous year's growth. As of January 1, 1966, Northern Ohio Telephone Company provided fully automatic telephone service through 68 exchanges to 149,350 telephones in 26 counties in the area between Cleveland, Columbus and Toledo. During the past twelve months there were 13,385,180 long distance calls completed by our subscribers, an increase of 12.2 percent. Important as they are, these facts and figures give only a skeletal idea of our progress in providing complete telephone service to our subscribers. A few of the larger examples are the installations for the Hercules Company, Galion; Daybrook-Ottawa Company, Bowling Green; and Pittsburgh Plate Glass Company, Delaware. All these plants have complete plant-wide communications and paging systems including the latest in modern telephone installations.

The Hercules Company installation was unique in that every contractor taking part in its construction was local. In keeping with this, the Northern Ohio Telephone

Company's central office equipment for the installation was supplied by The North Electric Company, located in Galion. The Hercules Company's modern \$2 million building has approximately 130 new telephones, all in color, with 15 trunk lines to our Galion toll center office, and five tie lines to a second manufacturing plant in the city.

An ultramodern and complex communications system was designed for Pittsburgh Plate Glass Company, in Delaware. The paging system, closed circuit TV supervision, fire alarm and burglary units are all interlaced to provide maximum communications for this aggressive company.

Another major communication system was installed for Holiday Inn in Bowling Green. Wake-up service, conference circuit, message register and message waiting service are all included. Each of the 100 units has a colored telephone, and the cocktail lounge and meeting rooms have jacks for telephone service. There are also three semi-public pay stations. Telephone service has even been extended to the swimming pool where a white telephone is installed in a clear

plastic weather-proof housing.

Bowling Green State University, with 800 lines serving 1,100 telephones through a PABX with three attendant's positions, is the largest single customer installation in our area. Also serviced by the Bowling Green exchange is the Daybrook-Ottawa Company, which now has over 100 stations, served by a Type 300 PABX. Included in our service to this company are teletype, universal night answer service, transfer of incoming calls from station to station within the plant without PBX operator assistance, and meet-me conference and consultation conference features.

We take pride in being an important part in industrial and commercial expansion in our area. In the Willard District, extensive con-

struction is in progress to provide service for the rapidly growing Holiday Lakes area. In Port Clinton, U. S. Rubber Company has leased the Erie Army Depot. Consisting of 1,200 acres it will soon become an area industrial park. Complete communication service will be available.

During 1965 several new services were introduced. Among these are Magicall, mobile telephone service, the panel telephone, school-to-home telephone service, and additional time and temperature services.

Northern Ohio Telephone Company introduced its first mobile telephone service in Medina. The subscriber's car becomes an office on wheels. Operating exactly like a dial telephone at home or in a

business office, a telephone installed in a vehicle provides direct contact with every other telephone in the area.

Magicall is a new automatic dialing unit. You simply select the number you wish to call, push a button and Magicall does the dialing. Another new item is the panel telephone that fits into or flush with the wall. It is available in attractive brushed aluminum with white handset and cord. There are interchangeable color inserts to match the decor of any room.

In Bellevue, our first experimental school-to-home telephone service was installed. Allowing classroom participation at home, this service will permit a student to continue his studies even though confined to bed.

Time and Temperature service is now in operation at Norwalk, Galion and Bowling Green Exchanges. Dialing the proper number, callers will receive accurate and up to the minute statistics.

Expanded services, increased operations and innovations—all these have made 1965 truly a significant year for Northern Ohio Telephone Company. Wadsworth Exchange underwent an \$86,000 building expansion and 400 new subscriber lines were added. A new building and a completely new telephone system, including Subscriber Direct Distance Dialing, was constructed at Creston at a cost of \$62,300. In Galion, the company built new garage facilities and completed a substantial equipment addition to make the exchange entirely a cross-



Anticipating continued growth our equipment room at Wadsworth was enlarged in 1965.

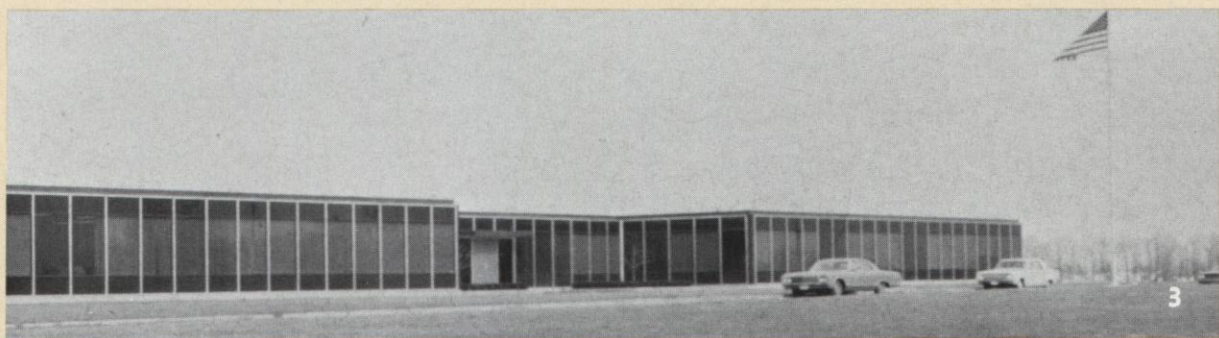
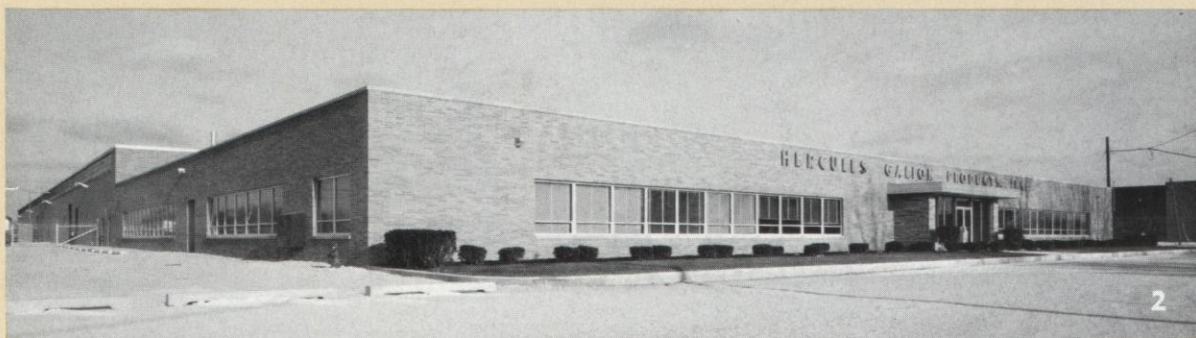
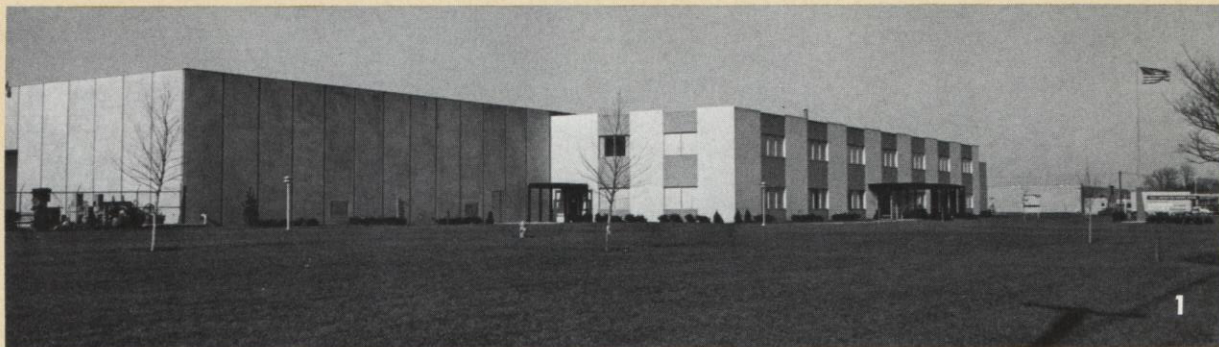


Time and Temperature equipment in our Bowling Green exchange.



PABX Turret and paging equipment at Pittsburgh Plate Glass Company, Delaware.

New Installations featuring complete Communications Systems



1. Daybrook Ottawa Company, Bowling Green
2. Hercules Manufacturing Company, Galion
3. Pittsburgh Plate Glass Company, Delaware
4. Holiday Inn, Bowling Green

bar system—the very latest equipment available.

A building addition was completed in Ashland to provide the space necessary for new Subscriber Direct Distance Dialing equipment to be in service before the end of 1966. The bank building adjoining the telephone company property was purchased to provide additional space for a business office and for automatic equipment. Galion is being equipped to provide the very latest in Subscriber Direct Distance Toll Dialing. Our customers in Galion and Crestline will be able to dial direct, not only station-to-station calls, but person-to-person, credit card and paystation calls. This new system has many communication features that will be found in only a few exchanges throughout the entire nation. The installation is planned for completion in 1966.

Four new operator's positions have been added to the Company's largest toll center in Medina. This exchange with twenty-eight toll switchboard positions now handles more than 275,000 long distance calls each month, two thirds of this number are DDD calls.

A source of great pride to our Company are the plans, now underway, to erect a distinctive, \$450,000 building addition to our General Offices in Bellevue. Shown

in an artist's drawing, reproduced on the cover of this annual report, the new telephone building will provide space for our continued growth.

The Company's 913 employees, too, have benefited in the year's progress. A new three-year labor agreement was signed between the Company and the Union representing its plant and traffic department employees, effective November 29, 1965. The increase in the wage rates and other fringe benefits for the first year will increase this company's total labor costs approximately \$161,000. Total wages and salaries paid in 1965 were \$3,973,992. This is an increase of \$407,691 over 1964 and reflects the loss in wages paid resulting from the eight weeks labor stoppage in that year. Wages are the Company's second largest item of expense.

On December 22, 1965 the Board of Directors elected Allen W. Hughes as operating vice president. He had served as Administrative Assistant to the President and General Manager for a year and one half. Mr. Hughes joined our company on July 1, 1964, with seventeen years of previous telephone operating experience.

An outstanding year has closed and we look forward to further progress in 1966.



Modern Telephone Building at Lodi



Installing Cross-Bar equipment at Galion

comparative balance sheets

ASSETS

PLANT AND OTHER INVESTMENT

Telephone plant in service—Notes A and D
Telephone plant under construction

Less reserve for depreciation

Debt retirement fund
Other investment (COMSAT)

CURRENT ASSETS

Cash
Special cash deposits and working funds
Certificates of deposit
Notes and land contracts receivable
Accounts receivable (including estimated unbilled: 1965—\$432,068; 1964
—\$380,868) less reserve for uncollectible accounts:
1965—\$17,460; 1964—\$17,780
Materials and supplies

DEFERRED CHARGES

Prepaid insurance and other expenses
Discount on funded debt

December 31,

1965

1964

\$57,330,278
252,474

\$53,428,296
365,562

\$57,582,752
11,711,393

\$53,793,858
10,179,851

\$45,871,359
—0—
150,000

\$43,614,007
2,780,501
150,000

\$46,021,359

\$46,544,508

\$ 1,734,574
78,633
2,176,458
66,109

\$ 1,741,489
80,325
2,172,265
41,970

1,656,114
634,110

1,480,366
682,328

\$ 6,345,998

\$ 6,198,743

\$ 22,612
250,851

\$ 24,014
261,558

\$ 273,463

\$ 285,572

\$52,640,820

\$53,028,823

NOTES TO FINANCIAL STATEMENTS

Note A—Telephone plant in service comprises land, buildings, poles, wire, cable, underground conduit, switchboards, telephones, office furniture, vehicles, and tools. Plant is stated at amounts authorized by The Public Utilities Commission of Ohio with respect to acquisitions from other companies, and other additions are included at cost as of dates of installation.

Note B—The various series of cumulative preferred stock outstanding at December 31, 1965, are as follows:

	AMOUNT
5% Class A (redeemable at \$110 a share):	
Authorized and outstanding 12,000 shares	\$1,200,000
5% Class B (redeemable at \$105 a share):	
Authorized 56,000 shares; outstanding 32,614 shares	3,261,400
4½% (redeemable at \$105 a share):	
Authorized and outstanding 20,000 shares	2,000,000
4¼% (redeemable at \$105 a share):	
Authorized and outstanding 12,000 shares	1,200,000
TOTAL	\$7,661,400

Note C—Unless otherwise indicated, references to Common Stock in the financial statements and the following note are expressed in terms of the \$3.33-1/3 par value shares resulting from the 3-for-1 stock split effected May 19, 1965.

On February 17, 1966, The Public Utilities Commission of Ohio approved the declaration on December 22, 1965, of a distribution in the Company's Common Stock at the rate of one new share for each three shares outstanding at March 1, 1966, payable on March 12, 1966. The par value of full shares issued will be transferred from other capital to Common Stock. Cash will be paid in lieu of fractional shares at the rate of \$37.50 a share and charged to retained income.

Note D—First Mortgage Bonds outstanding as of December 31, 1965, are as follows:

DUE DATE	INTEREST RATE	AMOUNT
Nov. 1, 1980	27/8%	\$ 1,600,000
Nov. 1, 1982	31/2%	1,800,000
Oct. 1, 1987	51/8%	3,000,000
Dec. 1, 1988	47/8%	3,000,000
Sept. 1, 1991	47/8%	3,500,000
Oct. 1, 1993	41/2%	6,000,000

TOTAL \$18,900,000

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31,	
	1965	1964
SHAREHOLDERS' EQUITY		
Capital stock:		
Cumulative Preferred Stock—\$100 par value:		
Authorized 100,000 shares; issued and outstanding—1965—76,614 shares;		
1964—76,229 shares—Note B	\$ 7,661,400	\$ 7,622,900
Common Stock—\$3.33-1/3 par value:		
Authorized—6,000,000 shares		
Issued and outstanding—2,105,541 shares—Note C	7,018,470	6,958,170
Installments paid on capital stock	5,032	4,407
	<u>\$14,684,902</u>	<u>\$14,585,477</u>
Other capital	3,944,783	3,440,946
Retained income—Note D	8,015,305	7,296,330
	<u>\$26,644,990</u>	<u>\$25,322,753</u>
FUNDED DEBT		
First Mortgage Bonds—Note D	18,900,000	21,652,000
CURRENT AND ACCRUED LIABILITIES		
Accounts payable	\$ 1,206,037	\$ 964,474
Subscribers' advance billings and payments	300,170	273,921
Taxes accrued—Note E	3,846,562	3,535,423
Unmatured interest and dividends	1,231,649	912,386
	<u>\$ 6,584,418</u>	<u>\$ 5,686,204</u>
OTHER DEFERRED CREDIT—Note E	511,412	367,866
	<u>\$52,640,820</u>	<u>\$53,028,823</u>
See notes to financial statements.		

NOTES:

The bonds are secured by first mortgage on all telephone plant now owned or hereafter acquired. The Company covenants, while any of such bonds are outstanding, to provide sinking funds by annual payments to the Trustee, in cash or securities, of an amount equal to one per cent of the aggregate principal amount of bonds issued. The Company has the right to substitute 60% of cost or fair value of permanent additions against which additional bonds have not been issued in lieu of cash or securities to meet sinking fund requirements. Sinking fund requirements have been complied with.

Under the terms of the Twelfth Supplemental Indenture dated October 1, 1963, to The First Mortgage Trust Deed, retained income amounting to \$5,226,455 is not restricted for

payment of cash dividends on Common Stock

Note E—Federal income taxes payable have been reduced by \$143,546 representing the investment credit as provided by the Revenue Act of 1962, and an amount equivalent thereto has been reflected as the other deferred credit.

Note F—The contribution under the pension plan for employees of the Company included with other operating expenses amounted to \$142,669 for the year 1965. At December 31, 1965, the estimated unfunded portion of past service costs amounted to approximately \$321,000.

comparative statements of income

		Year Ended December 31,	
		1965	1964
OPERATING REVENUES			
Local service		\$ 8,277,701	\$ 7,811,402
Toll service		6,889,674	6,053,958
Directory advertising and sales		585,997	557,976
Miscellaneous		879,471	641,540
Less provision for uncollectible accounts		48,000*	48,000*
	TOTAL OPERATING REVENUES	\$16,584,843	\$15,016,876
OPERATING EXPENSES			
Current maintenance		\$ 1,941,725	\$ 1,644,186
Depreciation		2,291,654	2,142,103
Traffic		1,760,785	1,622,630
Commercial		757,693	742,993
General office		465,244	437,410
Other—Note F		306,446	281,141
Taxes other than federal income taxes		1,743,543	1,806,102
	TOTAL OPERATING EXPENSES	\$ 9,267,090	\$ 8,676,565
OTHER INCOME		\$ 7,317,753	\$ 6,340,311
		163,180	265,571
		\$ 7,480,933	\$ 6,605,882
OTHER DEDUCTIONS			
Interest expense		\$ 903,235	\$ 939,775
Amortization of discount on funded debt		10,707	11,150
		\$ 913,942	\$ 950,925
	INCOME BEFORE FEDERAL INCOME TAXES	\$ 6,566,991	\$ 5,654,957
FEDERAL INCOME TAXES —Note E			
Payable for the year		\$ 3,110,901	\$ 2,715,725
Amount equivalent to Investment Credit		143,546	117,890
		\$ 3,254,447	\$ 2,833,615
	NET INCOME	\$ 3,312,544	\$ 2,821,342

* Indicates red figure
See notes to financial statements.

statement of other capital and retained income

	Year Ended December 31,			
OTHER CAPITAL				
Balance at January 1, 1965				\$ 3,440,946
Excess of market value of 6,030 common shares of the Company issued to effect a 1 % stock dividend, over the par value of \$10 thereof			503,837	
Balance at December 31, 1965				<u>\$ 3,944,783</u>
RETAINED INCOME				
Balance at January 1, 1965				\$ 7,296,330
Add net income for the year				3,312,544
				<u>\$10,608,874</u>
Deduct:				
Cash dividends declared:				
5 % Preferred Stock—\$5.00 a share	\$	222,433		
4½ % Preferred Stock—\$4.50 a share		90,007		
4¼ % Preferred Stock—\$4.25 a share		51,000		
Common Stock—\$.75 a share		<u>1,579,156</u>	\$ 1,942,596	
Common Stock dividend:				
Market value of 6,030 shares of Common Stock, \$10 par value, issued to effect a 1 % stock dividend	\$	564,137		
Cash paid in lieu of fractional shares		<u>86,836</u>	<u>650,973</u>	<u>2,593,569</u>
Balance at December 31, 1965				<u>\$ 8,015,305</u>
See notes to financial statements.				

AUDITORS REPORT

BOARD OF DIRECTORS
NORTHERN OHIO TELEPHONE COMPANY
BELLEVUE, OHIO

We have examined the balance sheet of Northern Ohio Telephone Company as of December 31, 1965, and the related statements of income, other capital, and retained income for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income, other capital, and retained income present fairly the financial position of Northern Ohio Telephone Company at December 31, 1965, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

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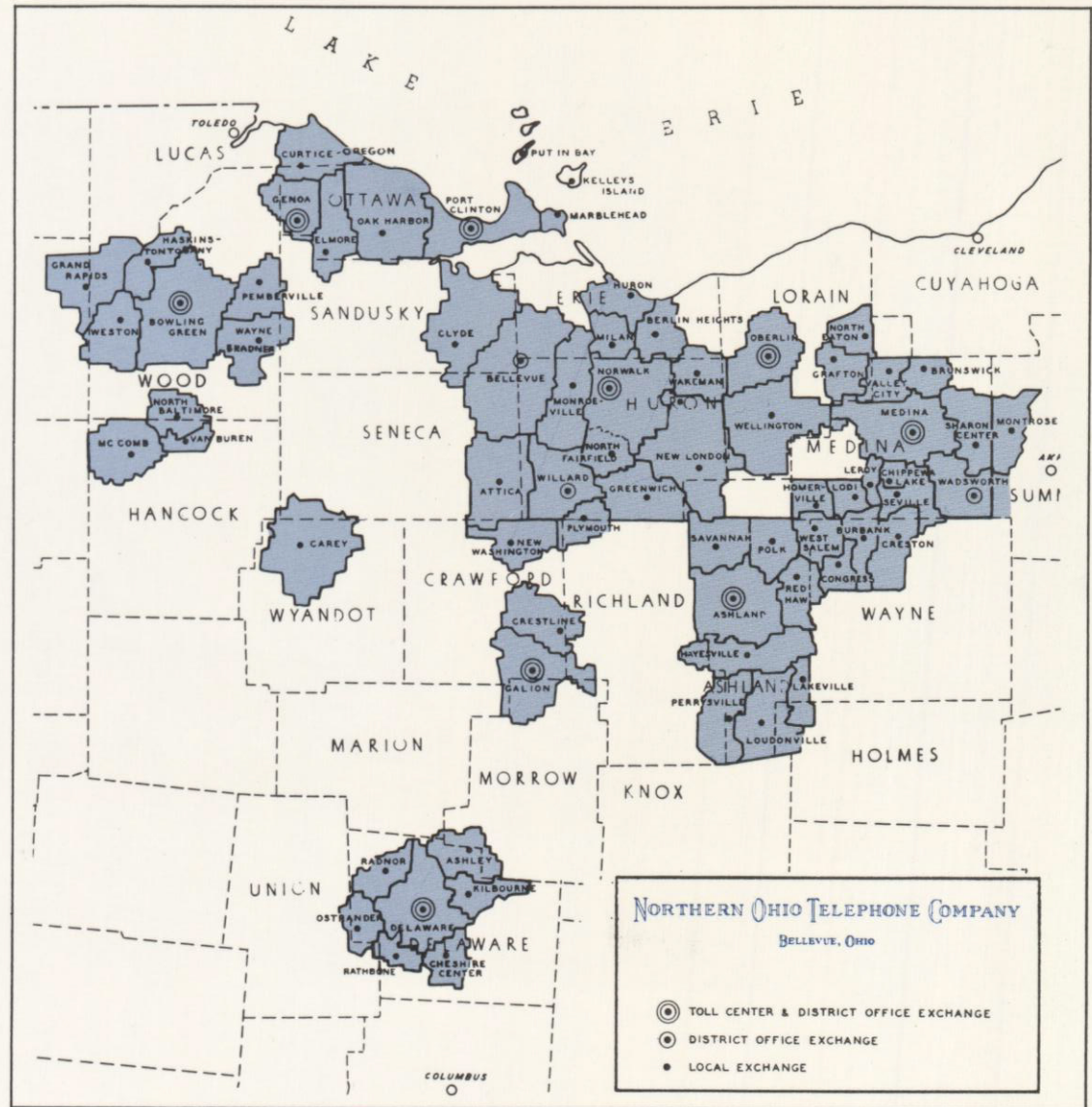
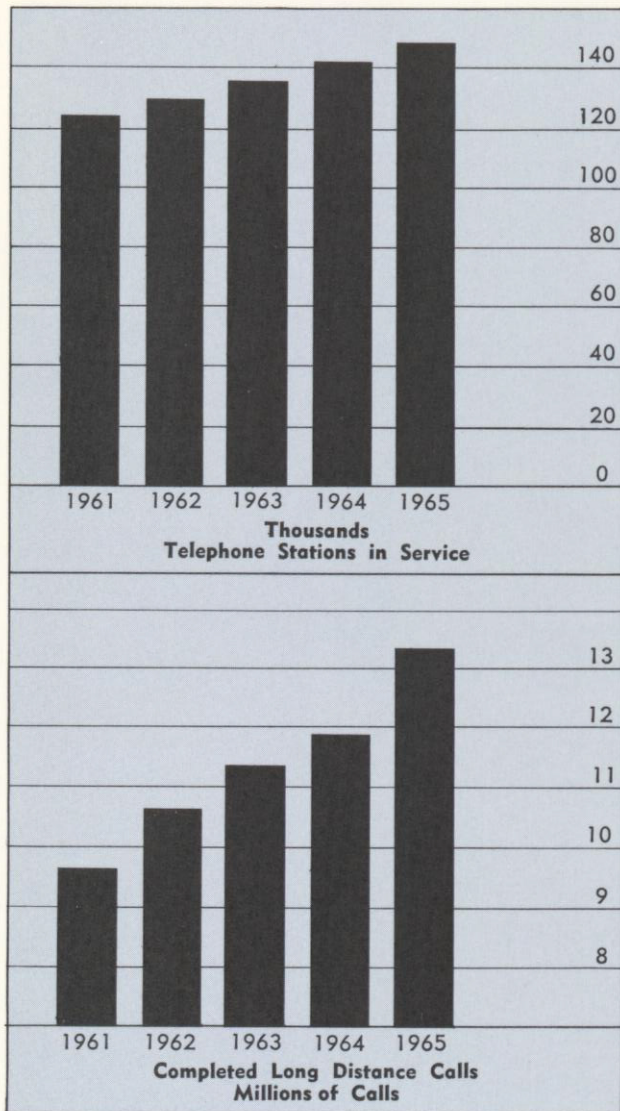
Cleveland, Ohio
February 22, 1966



northern ohio telephone company

Exchange	Telephones Jan. 1, 1966	Exchange	Telephones Jan. 1, 1966
Ashland	11,375	McComb	964
*Ashley	732	*Medina	8,052
*Attica	934	*Milan	1,286
*Bellevue	5,426	*Monroeville	1,077
*Berlin Heights	620	*Montrose	5,102
*Bowling Green	8,299	*New London	1,977
*Brunswick	4,366	New Washington	783
*Burbank	291	*North Baltimore	1,316
Carey	1,892	*North Eaton	1,434
*Cheshire Center	650	*Norwalk	8,082
*Chippewa Lake	570	*Oak Harbor	2,625
*Clyde	3,459	*Oberlin	5,228
Congress	366	*Ostrander	421
*Creston	806	*Pemberville	886
Crestline	3,017	Perrysville	807
Curtice	2,894	*Plymouth	1,017
*Delaware	8,676	*Port Clinton	6,251
Elmore	1,529	Polk	359
Galion	8,217	Put-in-Bay	317
Genoa	1,751	*Radnor	243
*Grand Rapids	766	*Rathbone	524
*Grafton	969	Red Haw	338
*Greenwich	967	Savannah	421
*Haskins-Tontogany	636	*Seville	785
Hayesville	1,247	*Sharon Center	1,164
*Homerville	168	*Valley City	698
*Huron	3,105	Van Buren	320
Kelley Island	154	*Wadsworth	7,454
*Kilbourne	357	*Wakeman	598
Lakeville	191	*Wayne-Bradner	1,133
*Leroy	508	*Wellington	2,807
*Lodi	1,596	*Weston	879
Loudonville	1,921	West Salem	551
*Marblehead	1,182	*Willard	3,814
			<hr/>
			149,350

*Exchanges with Direct Distance Dialing





The Northern Ohio Telephone Company's float in the Ashland Sesquicentennial Grand Parade on June 26, 1965.